

**DESCRIPTION OF H.R. 630,  
A BILL TO MAKE PERMANENT CERTAIN RULES  
REGARDING BASIS ADJUSTMENTS TO  
STOCK OF S CORPORATIONS MAKING  
CHARITABLE CONTRIBUTIONS OF PROPERTY**

Scheduled for Markup  
by the  
HOUSE COMMITTEE ON WAYS AND MEANS  
on February 4, 2015

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



February 3, 2015  
JCX-16R-15

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## INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup of H.R. 630, a bill to make permanent certain rules regarding basis adjustments to stock of S corporations making charitable contributions of property, on February 4, 2015. This document,<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides a description of the bill.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 630, A Bill to Make Permanent Certain Rules Regarding Basis Adjustments to Stock of S Corporations Making Charitable Contributions of Property* (JCX-16R-15), February 3, 2015. This document can also be found on the Joint Committee on Taxation website at [www.jct.gov](http://www.jct.gov).

**A. Permanent Rule Regarding Basis Adjustment to Stock of S Corporations  
Making Charitable Contributions of Property  
(sec. 1367 of the Code)**

**Present Law**

Under present law, if an S corporation contributes money or other property to a charity, each shareholder takes into account the shareholder's pro rata share of the contribution in determining its own income tax liability.<sup>2</sup> A shareholder of an S corporation reduces the basis in the stock of the S corporation by the amount of the charitable contribution that flows through to the shareholder.<sup>3</sup>

In the case of charitable contributions made in taxable years beginning before January 1, 2015, the amount of a shareholder's basis reduction in the stock of an S corporation by reason of a charitable contribution made by the corporation is equal to the shareholder's pro rata share of the adjusted basis of the contributed property. For contributions made in taxable years beginning after December 31, 2014, the amount of the reduction is the shareholder's pro rata share of the fair market value of the contributed property.

**Description of Proposal**

The proposal makes permanent the basis reduction rule applicable for contributions made in taxable years beginning before January 1, 2015.

**Effective Date**

The proposal applies to charitable contributions made in taxable years beginning after December 31, 2014.

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<sup>2</sup> Sec. 1366(a)(1)(A).

<sup>3</sup> Sec. 1367(a)(2)(B).

## B. Estimated Revenue Effects

Fiscal Years [Millions of Dollars]												
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2015-20</u>	<u>2015-25</u>
-23	-49	-53	-55	-57	-59	-61	-64	-68	-71	-75	-296	-635